

7. FINANCIAL PLANNING: 2016-2017 BUDGET PROPOSALS (RMT/RMM)

Purpose of the report and key issues

1. Following the work with three nominated members and a members' financial planning day on 24 July, this report asks members to agree the budget proposals for 2016/2017 so that implementation can be achieved by 1 April 2016. A full budget report prepared by the Chief Finance Officer will be considered by the Authority in February 2016.

Key issues include:

- a) The Authority needs to plan for the expected downward projections anticipated from 2016/17 for public sector finances in particular for unprotected government departments
- b) Proposals to ensure the Authority achieves a balanced budget in 2016/17, in line with our strategic framework also presented to this meeting, are given amounting to :
 - £464k of reductions in Defra (Department for Environment, Food and Rural Affairs) funded activities in five review areas
 - £138k of increased net income and reductions in Defra funded input costs for areas given strategic certainty

Recommendations

2.
 1. **That a programme of reductions in Defra funded activities in five review areas, as detailed in Appendix 1, amounting to £464k are implemented by 1 April 2016.**
 2. **That plans to achieve an increase in net income and reductions in input costs in areas given strategic certainty, as detailed in Appendix 1, amounting to £138k are implemented by 1 April 2016.**

How does this contribute to our policies and legal obligations?

3. Our agreed performance and business plan focus for 2015/16 is to have a clear plan for the future to give ourselves strategic certainty for 2016/17 and beyond. This is part of ensuring we have a solid foundation in place to build a thriving organisation. The Authority is considering on 18 September our new strategic framework answering the four questions:
 - a) Why we do what we do: what are our special qualities, what makes the Peak District National Park distinct and what are our ambitions?
 - b) What we do: what is our role and how do we fund our work?
 - c) How we do it: how are we designed as an organisation to deliver our role?
 - d) The way that we do it: what is our culture and the way we do things?

Our financial planning work contributes to b) above. In addition the Authority is required to set a balanced budget each year and this work is the preparation for that.

Background

4. At the Authority meeting in December 2014 members appointed three members (Andrew McCloy, Chris Furness and Emma Sayer) to work with resource management team on the following task:

By 2018/19 we will be potentially funded by Defra at a level significantly less than our current funding. Given this scenario:

- *What do we want to give strategic certainty to over that period in line with (and informing) the new corporate strategy and*
- *What do we want to commit to doing if we are successful in diversifying our sources of funding or if the Defra settlement is greater than anticipated*

5. This was in the context of:

- a) Planning for a further reduction in the Defra grant
- b) Developing and increasing other sources of funding so that we can continue to be a thriving organisation including income generation, external funding, giving and sponsorship

Financial planning scenario

6. The Government has recently asked Defra to provide information on what a 25% and 40% real terms (i.e. taking into account inflation) reduction would mean for the Department over the next Spending Review period. It is not clear whether this scenario planning covers three or four years, but Defra are suggesting 6% would encompass the required inflation adjustment, therefore suggesting a cash figure reduction of between 19 – 34% over a three or four year period. Although we do not know how much of this reduction Defra might pass on to National Park Authorities it appears to indicate that our strategic financial planning for a 5% reduction for the next three years (i.e. 15%) would represent a scenario consistent with our experiences over the previous Spending Review period, and the downward projections anticipated for an unprotected government department for the next period. Because of the significant impact of such a reduction, although we are putting in place a strategic framework to guide our financial planning work for the period 2016-2019, we are only bringing to members at this stage detailed proposals for year one reductions in Defra financed activities. This allows the Authority to evaluate the impact of these year 1 reductions after implementation and reassess our draft proposals for future years once the settlement is clearly known.

Sources of future funding

7. Our strategy is to continue to make the case out for an appropriate level of central government funding from Defra, as National Parks are a national public asset, whilst developing and increasing funding from giving, sponsorship, external funding and income generation to minimise the impact of significant cuts to National Park Grant in the last Spending Review period; this will enable the Authority to continue to have the biggest impact through our 'regulatory', 'influencing' and 'doing' roles. Appendix 1 identifies where we plan to focus (or have already focussed) our funding diversification efforts under the column 'mitigating action to reduce impact on service outputs'.
8. The Chief Executives and NPA (National Park Authority) Chairs continue to work at a national level to ensure Defra and Ministers have all the information they need on the value of National Parks and the impact that further reductions will have on what we can deliver. This includes pursuing with Defra obtaining changes to legislation so that NPAs have a 'functional power of competence' giving clarity on our ability to pursue our NPA objectives in a more commercial manner.

Medium term financial planning

9. Our medium term financial planning (2016-2019) is guided by the strategic framework

presented to this same Authority meeting. It outlines:

- a) 5 review areas which will not be given strategic certainty into the future at current levels of Defra funding: leadership team, ranger resource, conservation influencing/advisory role, plan making and strategy work, support services
- b) An expectation for areas given strategic certainty, in accordance with our strategic framework, to achieve a greater income (our commercial programme) and/or reduce Defra funded input costs/achieve efficiencies
- c) That we will remain a sizeable organisation into the future with the continuing Defra resource funding activities across conservation, promoting understanding and planning almost in equal measures. So for example under a 15% reduction scenario and in accordance with our strategic framework Defra funding of approximately £5.5m would be allocated in the following proportions:
 - 22% to conservation activities
 - 26% to promoting understanding, rangers and volunteers
 - 22% to development control
 - 11% to communities and planning
 - 8% to recreation management and transport
 - 11% to corporate and democratic core

Phasing of reductions in Defra funded activities

10. Our work assumes at this stage that £1.2m savings in Defra funded activities and £341k of income need to be found over the three year period 2016/17 to 2018/19, giving a total target planning figure for savings or increased income of approx. £1.5m. There are a number of assumptions and risks behind this target figure including on: the level and phasing of expected continuing pressure on public sector finances; interest receipts; pay awards; NI changes; pension valuations; there being a market for income aspirations.
11. Our target planning figure will need to be reviewed as more accurate information becomes available. Resource Management Team has done some work on how reductions might be phased over each year of the three year period 2016-2019. For 2016/17 it is felt prudent to implement reductions in Defra funded activities in the five review areas of approx. £464k and to implement plans to increase income and reduce input costs in areas given strategic certainty by £138k. This, alongside a cash contingency of £295k and the current specific reserve levels should allow the Authority to respond to the first year of expected further reductions in the Defra settlement.

Members' strategic and financial planning workshop

12. At the workshop on 24 July members considered the proposals for strategic certainty and the financial impact of reducing certainty in the five review areas at paragraph 9a above.
13. Members were concerned about the proposals not to give strategic certainty to the current level of ranger resource and conservation advice however after a full discussion members at the workshop:
 - concluded that they recognise reductions need to be made in these areas
 - acknowledged the remaining resource available after reductions for conservation and promoting understanding
 - understood that the plan is to supplement reductions with other sources of

funding

14. In giving this overall support (and support for year one reductions – see proposals below) members asked for more information (for both these areas) on:
- the changing role of Rangers (e.g. working more closely with the learning and discovery team)
 - what will continue to be done into the future (e.g. things that will not wrap up into an externally funded project)
 - what will not be done as a result of the reduction
 - how we will ensure resilience if only one in house specialist (on conservation side of business)
15. In response to the above further information was discussed and considered by Strategic Advisory Group on 28 August and is provided in Appendix 1.

Proposals

16. It is proposed that, in line with the new strategic framework being considered at this same meeting, the Authority:
- a) implements a programme of reductions in Defra funded activities in the five review areas identified as detailed in Appendix 1 amounting to £464k by 1 April 2016
 - b) implements plans to achieve an increase in income and/or reductions in Defra funded input costs in areas given strategic certainty, of £138k by 1 April 2016, as detailed in Appendix 1
 - c) continues to develop and increase other sources of funding
 - d) continues to work at a national level with Defra to influence and mitigate the impact of the next public sector spending review

Are there any corporate implications members should be concerned about?

17. **Financial:** Relevant details are given in the report.
18. **Risk Management:**

In Appendix 1 the following risks are identified/addressed:

- a) The risk of not achieving the financial target - a high risk means that it will be more difficult to realise the saving.
- b) The risk to achieving service outputs/outcomes – where possible mitigating action to reduce the impact of reductions on service outputs has been highlighted including where we will continue with activities if we are successful in obtaining different funding
- c) The risk to achieving increased net income targets and mitigating action to reduce the risk

Stakeholder impact assessment

19. An assessment of the impact of our strategic and financial planning proposals on stakeholders has been prepared so that discussions on what will be different into the future can be held as part of the normal pattern of partner and stakeholder meetings

with the Chief Executive and other members of the management team.

Consultation

20. Consultation with staff has been an integral part of the process so far in developing proposals. Formal consultation, as required by legislation if there are potential compulsory redundancies, with UNISON and staff committee as well as staff affected by the proposals at Appendix 1 has started.

HR implications

21. Resource Management Team has delegated authority to implement staff and establishment changes below Assistant Director. These changes will be made in accordance with the Authority's Managing Change policy and guidance. This may mean due to redeployment and notice periods that some changes cannot be implemented by 1 April 2016 and may be effective at a slightly later date. Details of support available to staff during this uncertain time have been updated and publicised to staff.
22. **Background papers** (not previously published) –None

Appendices –

Appendix 1: 2016/2017 budget proposals

Report Author, Job Title and Publication Date

Ruth Marchington, Director of Corporate Resources, 10 September 2015.